

**OFFICE OF THE SECRETARY OF STATE
RECORDS CENTER FUND
PERFORMANCE AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

**DEPARTMENT OF ADMINISTRATION
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Office of the Secretary of State
RECORDS CENTER FUND
Performance Audit
For the Fiscal Year Ended June 30, 1999

EXECUTIVE SUMMARY

Management of the Office of the Secretary of State, Records Center Fund implemented or partially implemented all of the 12 recommendations cited in our report issued December 1995.

Based on our current audit of the Records Center Fund, management needs to establish adequate controls over the creation, maintenance, use, and disposition of state records. Our review disclosed weaknesses in management controls for retention schedules and disposition of state records. General and agency specific retention schedules need to be revised and updated.

Management should review the strategic effect of the present method of funding the Internal Service Fund because it will not be viable in the future once the accumulative fund balance (surplus) has been expended.

An inspection of the current facility should be conducted to assess and ensure long-term operational needs are met.

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October 19, 2000

The Honorable James R. Langevin
Secretary of State
State House, Room 220
Providence, RI 02903

Dear Mr. Langevin:

We have completed our audit of the Office of the Secretary of State, Records Center Fund for the fiscal year ended June 30, 1999. Our audit was conducted in accordance with Sections 35-7-3 and 35-7-4 of the Rhode Island General Laws.

The findings and recommendations included herein have been discussed with management and we have considered their comments in the preparation of our report. Management's responses to our audit recommendations have also been included in our report.

In accordance with Section 35-7-4 of the General Laws, we will review the status of the Office of the Secretary of State, Records Center Fund's corrective action plan within 6 months from the date of issue of this report.

Sincerely,


Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC(SME):pb

OFFICE OF THE SECRETARY OF STATE
RECORDS CENTER FUND
PERFORMANCE AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

INTRODUCTION

Objectives, Scope, and Methodology

We conducted a performance audit of the Office of the Secretary of State, Records Center Fund for the fiscal year ended June 30, 1999. The objectives and scope of our audit was to determine compliance with the State Controller's Procedure A-20 on Internal Service Funds and if the funds were utilized economically and efficiently.

Our audit was made in accordance with the *Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors and included such tests of the accounting records and such auditing procedures as we considered necessary in the circumstances.

We evaluated the internal control structure of the Records Center Fund and reviewed administrative and operating procedures. The formulation of the findings and recommendations included in this report were based on our:

- Review and analysis of state laws, regulations, policies and procedures; and
- Interviews with personnel and tests for compliance with applicable laws, regulations, and procedures.

The findings and recommendations included herein have been discussed with management, and we have considered their comments in the preparation of our report. Section 35-7-4 (c) of the Rhode Island General Laws requires the auditee to respond in writing within 60 days to all recommendations made in the report. Management's response to our audit findings and recommendations were submitted on October 18, 2000 and are included in our report.

Background

The Office of the Secretary of State is charged with the responsibility of establishing a public records administration program for the retention, maintenance, and disposal of records. The operating objectives of the fund are to manage an effective and efficient records management program. The Office of the Secretary of State manages the Records Center Fund as an Internal Service Fund. Internal Service Funds are established under provisions of Section 35-5-1 of the Rhode Island General Laws to finance and account for services by a designated agency to other departments or agencies under a vendor-customer relationship. The state has entered into a contract with Capital Records Management Center, Inc., (CRMC) for the purpose of maintaining a record storage and retrieval facility. The state agencies that participate in the program are charged user fees that include the cost of a storage rental fee and services for the Records Center and the Secretary of State's administrative overhead.

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STATUS OF PRIOR AUDIT RECOMMENDATIONS

Advisory Commission

1. The Office of the Secretary of State should comply with General Law 38-3.

Implemented.

Destruction/Retention Schedules

2. The Office of the Secretary of State should notify all state agencies of their responsibilities to comply with General Law 38-3.

Partially implemented. See current year Recommendation 3.

3. The Records Center should ensure that the confirmation of destruction certificate is received from CRMC as records are destroyed and that these destructions are properly reflected on subsequent billings.

Implemented.

Custody and Protection

4. The Secretary of State should have legislation introduced in the next session of the General Assembly to transfer responsibility for General Law 38-1 from the Department of Administration to the Secretary of State.

Implemented.

Designated Agency Records Officer

5. The Office of the Secretary of State should notify all state agencies to comply with General Law 42-8.1-17 (5).

Partially implemented. See current year Recommendation 3.

Capital Records Management Corporation

6. The Records Center should review CRMC invoices to ensure monthly activity is properly accounted.

Implemented.

7. Date stamp the summary invoice.

Implemented.

8. The Records Center should request that CRMC invoices be modified to include consecutive numbers for invoices with multiple pages, summary invoices listing each individual agency billed for the month, and an updated storage count.

Implemented.

Billings to State Agencies

9. Written policies and procedures should be enforced to ensure that billings to state agencies are accurate and have adequate supporting documentation.

Implemented.

10. The format of the Accounts Receivable by Account Number Report should be changed to reflect the correct appropriation account numbers and billing dates.

Implemented.

11. The Records Center should review rates charged to user agencies on a regular basis and adjust prices accordingly.

Implemented.

Expenditure Testing

12. The Records Center Fund should be charged for only their proportionate share of all costs necessary to operate.

Implemented.

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FINDINGS AND RECOMMENDATIONS

Operational Effectiveness

The Public Records Administrator is responsible for developing and maintaining an effective records management program for state agencies. Our review disclosed several weaknesses in management controls that affect operations. Management needs to establish adequate controls over the creation, maintenance, use, and disposition of state records. In accordance with Section 38-3-6 (a) and (b) of the Rhode Island General Laws (RIGL), each state agency is to prepare and submit a records control schedule for all their public records for review by the auditor general and attorney general for a determination as to the legal and fiscal value of the records covered by the records control schedules. The auditor general and attorney general are critical participants in the state's records management program.

As of this review, there were few specific retention schedules in place for state agencies, and the two general retention schedules issued by the Public Record's Administrator conflict with each other. The best practice for the Public Records Administrator is to have a general retention schedule for all agencies and a specific retention schedule in place for each agency as appropriate. This process will identify an agency record series and provide destruction schedules that have been determined and approved. All this information will become part of the box inventory and agencies will receive these inventories biannually. Currently, box inventories are not organized effectively to assist the agencies in identifying records for destruction. Our review of some boxes indicated that the contents included time sheets that are 20 years old. The National Association of Government Archives and Records Administrators Guide to Records Management notes that when retention schedules are not in place and effective, the population of items that can be destroyed could be as high as 30 percent. If this rule applies to fiscal year 1999 operating costs, savings could range from \$219,000 at 30 percent or \$109,650 at 15 percent.

The Capitol Records Management Center, Inc., maintains inventory records and management software and provides box inventories to agencies biannually. Operational effectiveness would be enhanced if records requested by agencies were processed electronically. The agency would input the request and the public records administrator would edit, approve, and electronically send the request to the Capital Records Center. This process would allow the public records administrator to focus more on developing retention schedules and training.

Recommendations

1. The program administrator should coordinate periodic meetings with the Auditor General and Attorney General to review the status of agency retention schedules in a more timely manner.

Management's Response:

Accepted.

2. A plan to improve operational effectiveness needs to be developed, and general and agency-specific retention schedules need to be reviewed.

Management's Response:

Accepted in part.

3. Agencies should be trained on compliance with the R.I. General Laws and Secretary of State's Regulations.

Management's Response:

Accepted.

4. Inventories and requests should be processed electronically.

Management's Response:

Accepted.

Fund Structure

Our review of the operations during the fiscal years 1996 through 1999 revealed data trends that could adversely affect future operations under the present structure.

As shown in the Exhibit below, there appears to be a dependency upon Fund Equity to support operations. The fund used \$71,560 of Equity to balance its operations over the last 3 years. Expenses have exceeded revenues for the last three fiscal years.

Based on the present rate of \$0.87 per box, \$0.07 represents the amount provided by Fund Equity. Projecting current data and keeping the number of boxes constant, the rate raises to approximately \$1.03 per box in FY 2001.

We advocate management to be proactive in the area of cost containment and encourage its users to adhere to the approved destruction schedule. In contrast, however, fund administrators must consider that a reduction in the number of boxes will reduce revenue or increase the unit rate billed to users to unsatisfactory levels.

The current system of operating does not appear to be viable past the expenditure of the carry forward surplus of previous years.

Financial Results - Fiscal Years 1999 Through 1996				<u>EXHIBIT</u>
	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Revenues	647,617	576,624	549,764	566,920
Expenses	667,538	611,470	566,557	541,665
Income (Loss)	(19,821)	(34,846)	(16,793)	25,255
Fund Equity	74,193	94,114	128,950	145,753

Recommendation

5. Management should review the strategic effect of the present method of funding the Internal Service Fund. The fund administrators should charge the departments and agencies only those expenses that directly reflect the cost of document storage and services.

Management's Response:

Accepted in part.

Records Management

The Office of Secretary of State has entered into a lease agreement for space in the City of Providence for the State Archives and Public Records Administration. The building was chosen as a temporary location after a fire at the previous facility approximately 10 years ago. Our review of the facility disclosed that the building has outgrown its usefulness and has several limitations. Vault space is limited and is not made for document storage. Because of the location of the rest room, the public has access to the various document stacks. The operational synergies of combining these two programs may not be cost effective because the mission of a State Archives is to preserve documents of historical value and Public Records is to manage document retention and destruction of various public records received pursuant to law or ordinance in connection with the transaction of official state business. In the near future, there will be operational pressures to relocate the archives; in turn, combining the two functions may lose operational synergies. If operational objectives are not directed at cost containment, the increased fixed storage costs will be burdensome for both programs.

Recommendation

6. Devise a cost-effective facilities plan to ensure that the facility will meet the long-term objectives of a quality records and archival management program.

Management's Response:

Accepted.